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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

090083

Certain Information
Pertaining To Selected
Aspects Of The Operations
Of The National Endowment
For The Humanities

National Endowment for the Humanities
National Foundation on the Arts and
the Humanities

GGD-76-56

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FEB. 13, 1976

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-158811

The Honorable Claiborne Pell, Chairman
Special Subcommittee on Arts and
Humanities
Committee on Labor and Public Welfare
United States Senate

Dear Mr. Chairman:

This report on the National Endowment for the Humanities is provided in response to your November 19, 1975, request. We previously furnished the Subcommittee an inventory of fiscal year 1975 grants and a list of the members, including limited background information, of the State-based Humanities Committees.

Information pertaining to the following areas you asked us to review is included as an appendix to this report.

1. Accountability for Endowment resources in Washington including priorities, goals, and strategy for awarding grants; procedures for recording and controlling disbursements and matching funds; and procedures for monitoring and evaluating ongoing grants.
2. Accountability by the State-based Humanities Committees for reports submitted to the Endowment; Endowment evaluation, approval, and use of committees' grant proposals and related reports; sanctions imposed on committees by the Endowment for compliance failure; committees' roles in the budget process; and bylaws and governing procedures, including terms of service and provisions to prevent malpractice.

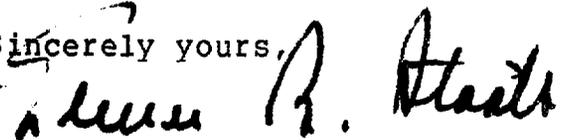
The information in appendix I was discussed with the Endowment's chairman.

In your letter you recognized that because of limited time, we would not be able to provide you a complete assessment of the overall effectiveness of the Endowment, nor verify all the information the Endowment provided us.

B-158811

Our work was done at the Endowment's office in Washington, D.C.; State-based Humanities Committees in Baltimore, Maryland; and Charlottesville, Virginia.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Atchafalua". The signature is written in a cursive style with a large initial "J" and "A".

Comptroller General
of the United States

NATIONAL ENDOWMENT FOR THE HUMANITIESBACKGROUND

The National Endowment for the Humanities (NEH) was created in 1965 as a result of congressional concern that the U.S. position of world leadership be based on achievement "in the realm of ideas and of the spirit," as well as on "superior power, wealth, and technology."

The National Foundation on the Arts and the Humanities Act of 1965 (20 U.S.C. 951) established the National Foundation on the Arts and the Humanities, which consists of the National Endowment for the Arts as well as NEH. The two endowments are essentially autonomous and have separate program budgets, although a shared staff is used for administrative functions. NEH is directed by a Chairman, who is assisted by a National Council on the Humanities composed of 26 distinguished private citizens appointed by the President. The NEH Chairman also serves as Chairman of the National Council.

In the authorizing act, the Congress set forth a Declaration of Purpose. The declaration, as it relates to the humanities, states in part:

The encouragement and support of national progress and scholarship in the humanities is an appropriate matter for Federal concern.

A high civilization must give full value and support to man's scholarly and cultural activity in addition to science and technology.

Democracy demands wisdom and vision in its citizens and it must therefore foster and support a form of education designed to make men masters of their technology and not its unthinking servant.

It is necessary and appropriate for the Federal Government to assist humanities programs conducted by local and State organizations and by private agencies.

It is appropriate for the Federal Government to sustain a climate encouraging freedom of thought and the material conditions facilitating the release of creative talent in the humanities.

The world leadership which has come to the United States must be founded upon worldwide respect for the Nation's high qualities as a leader in the realm of ideas and of the spirit.

In order to implement these findings, it is desirable to establish the National Endowment for the Humanities.

As defined by the act, the term "humanities" includes, but is not limited to, the study of the following: language, both modern and classical; linguistics; literature; history; jurisprudence; philosophy; archeology; comparative religion; ethics; the history, criticism, theory, and practice of the arts; those aspects of the social sciences which have humanistic content and employ humanistic methods; and the study and application of the humanities to the human environment with particular attention to the relevance of the humanities to the current conditions of national life.

Specifically, NEH has been authorized to

- develop and encourage the pursuit of a national policy for promoting progress and scholarship in the humanities;
- initiate and support research and programs to strengthen the U.S. teaching potential in the humanities by arranging (including contracts, grants, loans, and other assistance) with individuals or groups to support such activities;
- award fellowships and grants to institutions or individuals for training and workshops in the humanities;
- foster the interchange of information in the humanities;
- foster, through grants or other arrangements with groups, education in, and public understanding and appreciation of, the humanities; and
- support a publication of scholarly works in the humanities.

The Chairman, in commenting on NEH's priorities and goals, stated that the emphasis has changed during the last 4 years. He stated that previous programs were generally

focused on professionals in the humanities field, in order to create, develop, and preserve knowledge. However, the objectives of NEH have now been expanded to include transferring and disseminating knowledge to the public.

GRANT FUNDS

NEH's appropriation for fiscal year 1975 was \$67.25 million in definite program funds and \$6.5 million in matching funds. These funds are granted to individuals, groups, educational institutions, and other organizations through four divisions--Public Programs, Education Programs, Fellowships and Stipends, and Research Grants and the Office of Planning. These NEH organizational units are responsible for administering specific programs, usually directed at a particular kind of activity of the humanities. Schedule I is a summary of NEH fiscal year 1975 grant awards including selected statistics.

The total amounts of the grants initially awarded in fiscal year 1975 to individuals, groups, educational institutions, and other organizations varied considerably from State to State. For example, initial grant recipients in Arkansas received \$74,000, while those in New York received \$14.7 million. Some of the grants to groups, educational institutions, and other organizations may be redistributed to similar entities within or outside the State.

Individual grants ranged from \$334 for a General Research Program grant to \$2.76 million for a Humanities Institutes Program grant. NEH calculated that \$28.9 million (49 percent) of its total fiscal year 1974 grants went directly to higher educational institutions and their faculties.

Of the 1,330 grants awarded in fiscal year 1975, 944 (71.0 percent) went to colleges and universities for use by their faculties or for other persons and organizations; 323 (24.3 percent) went to other individuals or institutions; and 63 (4.7 percent) went to State-based Humanities Committees.

PROGRAM MANAGEMENT

Procedures used in managing programs vary; however, most efforts in all divisions and the Office of Planning are concerned with the grant application review and award process. This process for the NEH State-based Program is included in our discussion on the State-based Humanities Committees beginning on page 8.

Grant process

We reviewed selected aspects of the process. Upon receipt, program staff review the grant application to determine if it is complete and within the general scope of the program. Persons not affiliated with NEH are then selected in most cases to evaluate the application based on NEH criteria.

Thereafter, the applications, including the evaluators' comments, are sent to panelists employed as consultants by NEH. The panelists meet to discuss their evaluations with NEH. Each panelist is usually paid about \$300 (4 days at \$75) for his or her services, plus travel expenses. From one to four panel meetings per year are held, depending on the program.

At these meetings, each application is discussed and evaluated, and a consensus is reached on priorities for funding as to which grants should be approved. According to NEH, summaries of all applications are sent to all National Council members, and panel recommendations are summarized and forwarded to National Council committees which usually agree with the recommendations. The committees' recommendations are listed separately by grant approval or rejection and then submitted to all National Council members. The members vote on each approval and rejection list, rather than voting on each grant separately. These lists are subject to revision based on discussions by National Council members.

The extent of NEH evaluations, opinions, and judgments concerning grant applications varies by program. Program staff are generally responsible for organizing and administering the application review process. One official stated that about 80 percent of his division's time is spent for this purpose.

Grantee final expenditure and narrative reports

The National Foundation's general grant provisions require grantees to submit final expenditure and narrative reports 90 days after the grant period ends. In a letter of August 15, 1974, to the chairmen of the endowments, we observed that within NEH, 60 grantees were late in submitting final expenditure reports and 93 were late in submitting final narrative reports.

As of December 10, 1975, 273 grantees were late in submitting final expenditure reports, of which 47 had been late over 12 months. Concerning narrative reports, 291 were late of which 70 had been late over 12 months.

The National Foundation's Grants Office is responsible for the fiscal aspects of NEH grant management and acts as a staff advisor to NEH on grant policy and related matters. In most cases, the Grants Office drafts a notification to the delinquent grantee. The notification is prepared in final by the appropriate division or the Office of Planning. The notifications we examined were usually standard letters which we believe did not sufficiently emphasize the grantees' responsibilities for submitting these reports.

According to NEH officials, grantees in almost all cases must receive their full grant payments in order to carry out the conditions of their grants before submitting the required final reports; therefore, NEH cannot withhold funds if the grantees do not submit the required reports. However, the Grants Office will withhold payments on future grants if grantees are late in reporting on completed grants. At the time of our review, NEH had withheld payments to about 74 grantees.

Other matters we observed regarding delinquent reports included:

--A list of grantees late in submitting reports is prepared only once a year; thus, some grantees' reports may be delinquent for almost a year before NEH takes action.

--Followup action on reports was shared between the Grants Office and the appropriate division or the Office of Planning, which can result in delays before the grantees are notified that reports are late.

Financial audits of grantees

The National Foundation issued an audit policy statement in December 1973 as required by the General Services Administration's Federal Management Circular 73-2. The National Foundation's Audit Division is responsible for auditing grantees of both endowments. The Audit Division has not prepared an adequate audit plan as required by the circular.

The policy statement requires that grants to be audited will be selected on the basis of a 12-item priority list. The Audit Divisions said that because of staffing limitations, as of December 1975, it had only been able to make audits under one of the priority items--requests for audit of specific grants.

In fiscal years 1974 and 1975, the Audit Division issued six reports which involved NEH grantees. Four of these reports contained audit recommendations, some of which had not been acted on 1 year or more later. The report cited questionable costs totaling \$28,300.

Cash management

The Department of the Treasury requires the Foundation, in accordance with Department Circular No. 1075, not to advance a grantee cash in an amount greater than that needed for a 1-month period. For NEH grants of \$100,000 or less, the Department has approved a continuing waiver providing that advances on grants be made at least on a quarterly basis.

The Department requires that a letter of credit be used when a grant advance aggregates more than \$250,000 annually. National Foundation officials informed us that letter of credit arrangements have not previously been used by either endowment, but are being established for a university at its request. We were further informed that for both endowments, about 75 grantees might be eligible for the letters of credit.

NEH grant provisions state the grantees must assure that payments requested do not exceed the reasonably anticipated cash needs of the grantee/subgrantee. Further, in the case of grants for \$100,000 or more, the amount requested may not exceed that required for a 30-day period.

We examined 10 NEH grants awarded for over \$100,000. In almost all cases, NEH, for various monthly periods, had advanced funds to grantees in amounts exceeding the grantee's estimated monthly cash requirements; thus, theoretically, if not actually, causing the Government to incur unnecessary interest costs for borrowings beyond actual need. For example, one grantee was advanced \$100,000 on June 23, 1975, against a total grant of \$280,000, and as of January 1, 1976, NEH's grant file indicated that the grantee has not submitted an expenditure report nor cash request.

since that date. It follows, therefore, that the grantee was advanced considerably more cash than needed for a 1-month period.

NEH informed us that it relies on the assurance of the grantee that his or her monthly cash requirement is reasonable. One means available for NEH to evaluate and measure the reasonableness of a grantee's monthly cash requirement request would be to require--for grants over \$100,000--the grantee to submit (1) an estimated itemized monthly budget for the grant period and (2) an itemized monthly expenditure report.

Other matters we observed regarding cash advances included:

--One grantee received a \$30,000 advance as a result of a telephone conversation. NEH had no requirement that a written justification be prepared. Also, one grantee received a \$45,000 advance he had not requested.

--One grantee requested and received a \$100,000 advance. The following month, an additional \$50,000 advance was approved, although the cumulative expenditures reported by the grantee showed that no use had yet been made of the \$100,000 advanced. No information in the file explained the approval of the \$50,000.

--Two grantees each received a duplicate cash advance.

Program evaluation

NEH's evaluation program was initiated in mid-1973 and became fully operational in September 1974. Also, NEH requires that grantees include a self-evaluation in their final report. Before mid-1973, a few small program evaluations were done on an ad hoc basis by NEH.

The program consists of three types of studies:

--The divisions and Office of Planning prepare selected grant evaluations under the guidance of the NEH Evaluation Officer. Evaluations are presented and discussed at the National Council Committee meetings. Since August 1973, 65 such grant evaluations have been prepared and presented.

--The NEH Evaluation Officer, sometimes with the assistance of outside contractors and scholars, makes program studies in order to compare program objectives with accomplishments, assess program impact, and indicate necessary modifications. Since May 1974, two program evaluation studies have been completed and presented to the National Council. One concerned continuing Education Project Program grants awarded to one grantee for the purpose of improving teaching of humanities in secondary schools; the other concerned Youth Program grants which offer young people an opportunity to explore their own interests in the humanities and to enlarge their education and social experiences. At the time of our review, the Evaluation Officer was working on several other program evaluations, including the State-based Program which is expected to be completed by the end of February 1976.

--A Planning and Analytical Studies unit was formally established in November 1975 to determine more systematically (1) the nature and extent of national needs in the humanities to which NEH should give attention and (2) the impact of current NEH policies and programs on these needs.

In addition to these formal evaluations, two divisions hold an annual evaluation conference with grantees in one of their programs. The divisions and the Office of Planning usually receive only one narrative report from a grantee (upon grant completion), with the exception of multiyear grants for which periodic reports are received. NEH monitoring during the grant period consists of (1) phone conversations and correspondence between personnel of the divisions and Office of Planning and the grantees and (2) site visits to a limited number of grantees.

STATE-BASED HUMANITIES COMMITTEES

The State-based Program was initiated by NEH in 1970 when individuals in six States were brought together to plan and initiate State-based programs which would make the public aware that the humanities have valuable uses in the discussion of many issues. Each State has a humanities committee which implements this program.

Membership

NEH said each State-based Program was initiated by a committee of four or five individuals selected by NEH from numerous sources, including referrals by individuals and organizations within each State. We obtained NEH criteria and examined records concerning the procedures used to select the original committee members in three States. We noted that a search, mainly by telephone, was conducted, but the files did not contain the specific reasons for selecting each member. Committee membership has increased as was required by NEH. Current membership ranges from 11 to 25, as compared to the original four or five.

NEH requires committees to establish membership rotation procedures. Our review of selected committees' bylaws showed that they contained such provisions.

NEH requires an equitable distribution of members among professional humanists, public administrators, and other private citizens. NEH has added specific conditions to some committee grant award letters, in order to bring about this distribution. For 12 committees we obtained information on the aggregate membership including 68 professional humanists, 71 public administrators, and 78 other private citizens--about 31 percent, 33 percent, and 36 percent, respectively.

Each committee is staffed by an executive director responsible for the day-to-day activities and administration of the program. According to NEH, the executive director usually has an academic background in the humanities. The executive directors are paid an average of about \$18,000 annually.

In Alaska and New York, directors are paid \$29,500 and \$25,000, respectively. Program officials stated that these salaries are not determined by NEH and are higher than the average due to cost-of-living differences in those areas. By comparison the Civil Service Commission has a cost-of-living differential of 22.5 percent for Alaska but has no such differential for New York, because allowances are given for areas outside the continental United States. Also, under NEH policy, executive directors are eligible, contingent on committee approval, for a 3-month sabbatical leave with pay after serving 3 years.

A National Foundation official said in regard to these matters that no Federal regulations, NEH policies, or guidelines concern the conditions of employment of individuals by the committees. However, NEH informed us that established committees' executive directors are hired competitively. In one State visited, the executive director said she was selected after being nominated and interviewed along with several others by committee members. In the other State visited, the executive director is a Ph.D. candidate at the same university as the chairman of the committee.

At the time of our review, committees did not have a major role in NEH's budget process. The NEH chairman indicated that he has recognized the need for more participation by committees in overall NEH activities. He said a committee chairman may be appointed by the President to the National Council. Additionally, an advisory committee of eight persons was selected by the chairmen of the State-based Humanities Committees from their memberships to advise NEH.

The NEH chairman believes these actions would provide the committees with adequate voice in NEH activities. The advisory committee developed the State-based Program Principles and Standards, which NEH now uses to provide basic guidance for operating State-based programs.

Evaluation and approval of grant proposals

NEH provides committees with a "Suggested Outline for State-Based Proposals" which allows each committee freedom in developing its program. Each committee proposal is reviewed by the National Foundation's Grant Office, NEH's division program office, and non-NEH personnel who are not paid.

According to NEH, non-NEH personnel (evaluators) have the major role in the evaluation process. NEH maintains an expanding list of persons used to evaluate State-based Program grant proposals. Currently, 118 evaluators are listed. They generally include professional humanists, such as professors at universities, and many other professionals.

Three evaluators, who do not evaluate their own State-based Program proposal, comment on each proposal based on NEH criteria. NEH summarizes the comments and submits them to the National Council. We examined the proposal evaluations for eight States. Some evaluations did not adequately

address NEH criteria. Also, several evaluators mentioned the vagueness of the proposals.

Little mention, if any, was made in the evaluations regarding proposed budgets although several evaluators did comment that they could not adequately evaluate budgetary information. For fiscal year 1976, we compared the grant amounts requested with the amounts awarded for 10 committees to determine the extent to which committees received their full requests. Our comparison showed that four received the amount requested, two received more, and four received less.

The State-based Program grant proposal also summarizes the prior year's activities, including a list of committee-awarded grants. This summary is accepted by NEH in lieu of the normally required final narrative report. The summary, however, is actually not a final report on prior year's activities, because not all grant projects have been completed. NEH said no other reporting is required of the committees because their staffs have limited available time for preparing reports. Therefore, five State-based Program personnel each maintain close liaison with 10 committees, including site visits at least twice a year.

We examined seven summaries and noted an inconsistency in the information provided. The Division of Public Programs Director and one Assistant Director for State-based Programs agreed with our observation that some needed information, such as attendance at the projects and the number of times staff or committee members visited the projects, was not always included in the summaries and that when included was not necessarily in easily retrievable form.

We believe committees grant proposals for the coming year and the summaries of the prior year's activities might better serve NEH if more specific guidelines concerning content were provided. NEH should consult with the committees in developing these guidelines. Further, NEH should consider requiring a final report on each committee's fiscal year activities when all grant projects have been completed.

Fiscal accountability

NEH obligated about 19 percent of its fiscal year 1975 financial resources to the committees. As of November 25, 1975, current grants averaged about \$340,000, and ranged from \$161,000 to \$670,000. Because some grants covered

periods exceeding 12 months, we adjusted the above amounts to an annual basis and found that grants averaged about \$287,000 and ranged from \$147,000 to \$540,000. NEH requires each committee to match, equally, every Federal grant dollar. In-kind contributions, as opposed to cash, are generally used to meet this requirement.

NEH provisions require that each committee submit financial expenditure reports which describe amounts expended by major budget category, for example, salaries, travel, supplies, and committee grants. Amounts received by the committee for matching NEH funds are also to be identified in this report.

Committee funds are used for their own operating expenses and for making grants to nonprofit groups, organizations, and institutions within the State. NEH said fiscal accountability has been delegated to the committees. We discussed committee procedures concerning fiscal accountability with executive directors of two committees and examined a few types of expenditures for 1 year by one committee and for 1 month by the other committee. Adequate documentation was generally available.

Committees usually meet NEH's matching funds requirement by having their grantees match committee funds. Committees generally require grantees to submit itemized expenditure reports and lists of matching contributions. The committee grantee is responsible for maintaining the detailed records, such as invoices and receipts.

Committee officials in the two States visited generally did not know the extent to which committee grantees were properly accounting for funds, but did know whether grant objectives were met, that is, whether a specific event occurred. We examined some committee grantee expenditure reports in the two States and noted the following questionable practices.

--NEH and State-based Humanities Committee grant provisions require in-kind contributions to be reasonable. Regarding personal services, an individual's time generally should be recorded at that rate normally paid to him or her or at that rate actually paid for the services being performed. On one expenditure report, the donated time of 28 different persons was recorded at the same rate regardless of the service rendered.

--Some reported expenditures were made after the official grant period.

Since the State-based Program began, NEH has audited only one committee. Several inadequacies were noted in the committee's accounting system. The committee promised to correct them. According to NEH, several committees had audited grantees. In the two States visited, committee grantee audits had not been made and were not planned.

NEH and the committees, in light of the amounts being expended for their programs, should increase their efforts to insure fiscal accountability by providing additional guidelines and increasing audits of both the committee and the grantee,

National Endowment for the Humanities
Summary of Grant Award Activity
Fiscal Year 1975

Divisions and programs	Number awarded	Grant funds obligated			Percent of total funds obligated	Range of grants	
		Definite program	Gifts and matching (note a)	Total		High	Low
						(000 omitted)	
Public programs	210	\$24,447	\$1,831	\$26,278	35.91	\$1,641,302	\$ 714
State-based	63	13,530	160	13,690	18.71	602,400	714
Media grants	26	4,452	863	5,315	7.26	1,641,302	9,969
Museum and historical organizations	94	4,457	808	5,265	7.20	447,401	2,000
Program development	27	2,008	-	2,008	2.74	266,200	1,000
Education programs	182	14,926	2,139	17,065	23.32	2,762,123	1,000
Institutional grants	75	4,848	634	5,482	7.49	700,000	1,000
Education projects	102	6,765	1,505	8,270	11.30	821,751	1,200
Humanities institutes	3	2,769	-	2,769	3.79	2,762,123	2,233
Cultural institutions	2	544	-	544	.74	282,342	261,260
Fellowships and stipends	605	9,850	1,100	10,950	14.96	1,100,000	1,250
Residential	240	6,679	-	6,679	9.12	328,950	5,094
Independent study	363	3,071	-	3,071	4.20	20,000	1,250
Special	1	100	-	100	.14	100,000	100,000
American Council of Learned Societies	1	-	1,100	1,100	1.50	1,100,000	1,100,000
Research grants	249	9,890	3,539	13,429	18.35	1,275,000	334
General research	106	2,187	2,175	4,362	5.96	1,275,000	334
Editing	31	1,388	141	1,529	2.09	150,000	3,800
State and local history	12	409	206	615	.84	162,000	1,250
Bicentennial history	2	1,015	10	1,025	1.40	1,014,592	10,000
Research tools	50	2,476	590	3,066	4.19	283,700	5,000
Research centers	27	1,636	317	1,953	2.67	150,000	10,000
International bicentennial conferences	21	779	100	879	1.20	162,690	2,335
Office of Planning and programs	84	5,129	325	5,454	7.46	750,000	678
Science and human values	9	549	260	809	1.11	338,828	1,781
Youth	43	1,404	-	1,404	1.92	750,000	678
Projects	31	2,256	40	2,296	3.14	377,092	1,000
Jefferson lecture	1	11	25	36	.05	35,820	35,820
Program development and evaluation (note b)	-	909	-	909	1.24	-	-
Total	1,330	\$64,242	\$8,934	\$73,176	100.00	\$2,762,123	\$ 334

a/ This amount includes funds in the form of gifts donated to the Endowment, some of which may be for a specific project or purpose.

b/ Funds for these activities are authorized for the specific purpose of developing and evaluating Endowment programs and projects.